

INTERNATIONAL CITY MANAGERS' ASSOCIATION
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MUNICIPAL REGULATION OF TAXICABS

What methods are used by municipalities in regulating the operation of taxicabs?

There are two ways of regulating the taxicab business: (1) licensing taxicabs and drivers, and (2) granting a franchise to a single operator and treating the taxicab business as a public utility. Most cities use the licensing procedure but the experience of a few cities, notably Dallas, Texas, indicates some arguments in favor of the franchise plan.

Franchise Plan. Dallas has had nearly nine years' experience operating under a franchise, under which the city requires monthly financial reports on receipts, prohibits cruising except between 8 p.m. and 8 a.m., and requires insurance coverage. The franchise authorizes the city's supervisor of public utilities to make reasonable orders with regard to the extent, quality, and standard of service, recommend rates to council, prescribe number of cabs to be operated by grantee, inspect all equipment and books, and require examination and licensing of all drivers. The city reserves the right to change any provision in the franchise and also the absolute right to terminate the franchise on 30 days notice. Among the advantages which J. W. Monks, assistant supervisor of public utilities in Dallas, claims for the franchise plan are:

1. Instead of the annual permit fee of \$25 per cab which the city received under the old permit system, Dallas now receives 4 per cent of the gross receipts or an average of more than \$275 per taxicab per year.

2. All taxicab operations are conducted under the supervision and control of the one company to which the city granted a franchise in 1937. That company has two operating subsidiaries and since 1942 has licensed three other companies operating taxicabs for Negroes but in which it has no vested ownership (only an operational relationship by contract agreement). The city passes upon the qualifications of such licensees.

3. Exercising control of taxicabs through one concern has resulted in better protection to the public against injuries and damages. This results also in part from franchise requirement for a greater amount of insurance than was required under the permit system.

4. Cruising and duplication of service have been eliminated, as a result of which there is less traffic congestion in the downtown section, less street space required for taxicab stands, and fewer accidents. Under the franchise plan taxicab owners earn a fair profit, and taxicab drivers get 35 per cent of the fares collected which gives them a reasonable compensation. The city's enforcement problem is also simplified in that all irregularities are handled through one agency, the city supervisor of public utilities. The city regulates the number of cabs, requires the franchise holder to increase the number of cabs when service is considered inadequate, and can require the establishment of taxicab stands in unprofitable residential sections in order to provide adequate service.

The franchise plan as used in Dallas has many good features from the point of view of the city such as single supervision and control, and also from the stand-point of fair profit to the owner and fair wages to the drivers. Any city using

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the franchise plan should retain the right to terminate the grant any time after proper notice. The city should fix the standards of service, impose safety measures for the protection of the public, provide for municipal control over costs incurred by the company, and require periodic operating reports from the company.

Licensing Plan. Among the earlier comprehensive license ordinances are those which Cincinnati and Milwaukee adopted in 1929. Many other cities have followed the Cincinnati type of ordinance which in general is the basis of the model taxicab ordinance prepared in 1934 by the American Transit Association (292 Madison Avenue, New York). The Cincinnati ordinance, administered by the director of public utilities, sets forth procedures for suspension and revocation of taxicab and driver licenses; contains provisions for insurance, service, and equipment; sets up maximum rates of fare; provides for inspection of taxicabs by the city with regard to safety and sanitation features; and requires taxicab operators to keep certain records and to make quarterly financial reports to the city. Taxicab drivers are required to keep daily trip cards for each cab showing the origin, destination, number of passengers, and the amount collected. These cards also show the number of miles per trip. These and all other records must be available for inspection by the city. Another city which requires detailed financial records is Houston, Texas (Ordinance No. 9459, March 21, 1945) where 38 separate taxicab operators file monthly reports including a balance sheet, operating statement, and a statistical report as required by the city's supervisor of public utilities.

Applications for licenses in Cincinnati are filed with the city's director of public utilities who holds a hearing, makes investigation, and reaches a decision as to whether the public "convenience and necessity" requires additional taxicabs. He may authorize the issuance of some or all of the licenses requested or deny all of them. Cincinnati requires that all drivers be fingerprinted, photographed, and to have a physical test, an eye test, and a police investigation before taxi driver licenses are granted.

Typical good ordinances of smaller cities are those of Ames, Iowa (12,555), and Ann Arbor, Michigan (29,815). The Ames ordinance (No. 592, April 5, 1943) fixes a license fee of \$50 for the first cab and \$10 for each additional cab, requires inspection of all cabs by city marshall who reports to city manager before license is granted, requires \$20,000 liability insurance on each cab, requires certain information about owner and cab, requires driver's license, and fixes prices to be charged. The Ann Arbor ordinance (No. 95, adopted February 23, 1940) makes the police department the regulating agency, requires certificates of necessity and convenience, requires taxi drivers to have driver's license, sets forth rules for driver's conduct, provides method of suspension and revocation of licenses, provides for reporting to the police lost property left in taxicabs, specifies fares by zones, provides for taxicab stands, prohibits cruising, and provides for regular inspection of taxicabs by police department.

Some Aspects of Regulation

Regardless of the method of regulation, the city should adopt standards that will protect the public interest and secure good service at reasonable rates. Taxicab transportation differs from mass transportation in that a taxicab adapts itself to the passenger's wishes as to time of operation, route to be followed, and termini. The individual hires a vehicle and it becomes his own during this period and cannot be held open for hire to anyone else until the service for which he is paying is completed. This distinction is helpful in determining regulations that should apply to taxicabs as contrasted to those that apply to mass transportation units.

1. Limiting the Number of Taxicabs. The taxicab ordinances of many cities contain "convenience and necessity" clauses which places great responsibility upon the administrative official, according to Edgar Dow Gilman, Cincinnati's director of public utilities. He states: "It is obvious that there is no set formula by which the proper number of cabs can be determined. Many cities where the number is limited have either a fixed number set by council or a fixed population ratio per cab. There is no one fixed population ratio that can be applied to all cities....The people of a community are divided into two groups, first those desiring taxicabs, and second those who do not desire taxicabs. There should be enough taxicabs on the streets to give reasonably adequate service to the first group, but if the number is in excess of that necessary to give such reasonably adequate service then the excess occupies space on the streets to the detriment of the use of the streets by the second group. One of the best means to prevent cruising is to keep the number of cabs down to such a point that there are not a lot of idle cabs looking for business which does not exist. In the larger cities cruising is not objectionable if the cabs are a considerable distance apart and not bumper to bumper. Among other factors to consider in the number of taxicabs to be licensed is the effect of the the number outstanding licenses upon the earnings of the drivers. It is not in the public interest to have so many cabs that drivers are not able to earn a living wage through legal operations. Where there are too many taxicabs, drivers cannot earn a fair living and tend to use illegal methods in augmenting their pay."

Some cities specify a fixed ratio of cabs to population or a maximum number to be licensed. In Baltimore the public service commission has fixed the number of cabs at 1,000; in Seattle the council has set a ratio of one taxicab to each 2,000 population; in Columbus (Ohio) the limit is 150 which can be increased only by the city council; in Lima (Ohio) one cab per 1,000 population; in Milwaukee one cab to each 1,500 population; and in Wichita Falls, Texas, one cab to every 2,500 population. Such regulations are intended to reduce cruising and to prevent harmful competition resulting from an oversupply of taxicabs. Perhaps the best practice, however, is to leave the decision as to number of cabs to the more flexible discretion of an administrative agency as in Detroit, Dallas, and Cincinnati.

A survey of taxicab operations by the American Transit Association in 1932 showed that of the 93 cities over 100,000 population, 43 required certificates of convenience and necessity. A 1945 North Carolina law authorizes municipal control through certificates of convenience and necessity (see report entitled "Municipal Franchising of Taxicabs," North Carolina League of Municipalities, Raleigh, 1945. 8 pp. 50 cents).

2. Insurance. Public liability and property damage insurance generally is required on each cab. Property damage insurance requirements ranged from none to \$5,000. In 1938 the District of Columbia required \$10,000 public liability coverage on each vehicle, but fleet operators could post a \$75,000 bond in lieu of the insurance. Durham, North Carolina, eliminated the usual insurance requirements after the insurance company held up payment on claims, increased the coverage rate and often arbitrarily canceled insurance policies. The operators were permitted to form an association to maintain a trust or sinking fund for the payment of claims or judgments. The payment of \$10 per month per vehicle was to be made into the fund, held by the county court clerk, until a minimum of \$20,000 was accumulated. Thereafter additional levies were made only to maintain the \$20,000 fund. Claims were more speedily settled while the cost of coverage to the company has been small.

3. Taxicab Fares. Probably not more than one-fourth of the cities regulate the rates charged. Since there usually are many individual operators, the ordinary standards of rate control on the basis of cost and fair return are not readily

applicable. When specified in the ordinance rates are often confined to maximum limits. In some cities the rate problem is complicated by arguments over flat or zone rates and the meter system. The latter is recommended by most authorities as providing more equitable charges from the point of view of both the customer and the owner. Zone rates proved unsatisfactory in Cincinnati but the city permits a "special rate trip" between the downtown area and the railroad station and the airport.

The rates should be determined by the municipal regulatory agency. However the rates may be fixed, they should provide an adequate return to cab owners, protect patrons from exorbitant and unfair charges, and still not undermine the service of mass transportation facilities. A survey by the National Association of Taxicab Owners in 1943 reveals that taxicab fares were metered in 69 of the 92 cities above 100,000 population, that 16 have zone rates, 7 cities have flat rates. In several of the flat-rate cities the base fare applies only to a limited number of passengers, with an additional charge for extra passengers.

4. License Fees and Franchise Taxes. Some cities adopt only a reasonable regulatory charge, while others levy a revenue producing franchise tax for the privilege to operate. The contrast between fees and taxes is well illustrated in the case of Dallas. Under the franchise ordinance with its 4 per cent gross receipts tax, Dallas receives \$275 a year per cab as compared to \$25 per cab under the permit system in effect prior to 1937. In addition, the company must pay ad valorem taxes as well as all other local charges. License fees in some cities are high, as for example \$60 per cab in Houston and \$100 in Portsmouth, Virginia. A 1941 survey by the state municipal league in Minnesota shows that 30 cities in that state levied annual fees varying from \$3 to \$50 for the first taxicab licensed by each operator. In Washington taxicab license fees range from \$4 in Tacoma to \$125 in Bremerton. Sixteen cities in Oregon have license fees ranging from \$5 in Marshfield to \$100 in Klamath Falls for the first cab and \$25 for each additional cab; \$20 or \$25 is the most common fee in small cities in that state.

5. Miscellaneous Provisions. Modern taxicab regulations include strict service and safety provisions. Usually passengers cannot ride in front unless the rear compartment is filled. Drivers must accept passengers for any destination within the city if not already engaged. Some cities require taxi operators to operate out of their own terminals; other cities forbid taxicab parking except at assigned curb space or taxicab stands. A few cities, as in Spokane for example, require the installation of governors to limit speed. Seattle, Washington, in addition to other requirements, provides that a driver must obtain a certificate from the city's health commissioner. Finally, the city should definitely prohibit the transfer or sale of taxicab licenses.

6. Regulating Agencies. Perhaps the best municipal regulatory agency is one that is charged with the regulation of other transportation services. Taxicabs are regulated by the director of public utilities in Cincinnati, Dallas, and Houston; by the police commissioner in Boston; by the public utilities commission in Washington, D. C.; by the commissioner of licenses and assessments in Cleveland; by the manager of safety in Denver; by the police department in Fort Worth; by the public works director in Kansas City, Missouri; and by the city manager in Norfolk, Virginia.

(Cities subscribing to MIS may secure copies of the Dallas franchise and the Ames, Iowa, and the Cincinnati, Ohio, ordinances on request to ICMA.)